

MINUTES

**California Pollution Control Financing Authority
915 Capitol Mall, Room 587
Sacramento, California
March 25, 2009**

1. CALL TO ORDER & ROLL CALL

Patricia Wynne, Chairperson, called the California Pollution Control Financing Authority (CPCFA or Authority) meeting to order at 10:33 am.

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer
Les Kleinberg for John Chiang, State Controller
Tom Sheehy for Michael C. Genest, Director, Department of Finance

Staff Present: Michael Paparian, Executive Director

Quorum: The Chairperson declared a quorum

2. MINUTES

Ms. Wynne asked if there were any questions or comments concerning the February 25, 2009 meeting minutes. There were none.

Mr. Sheehy moved approval of the minutes.

Upon a second Ms. Wynne asked for a roll call; all members being present, the minutes were unanimously approved.

3. EXECUTIVE DIRECTOR'S REPORT (INFORMATION ITEM)

Mr. Paparian informed the Board that staff is finalizing the CPCFA Annual Reports for 2008. Only the Bond Program report is due by March 31st, but all program reports will be completed by that date.

The state sold \$6.5 billion in bonds for an issue that had a \$4 billion minimum. Mr. Sheehy amplified the comments of H.D. Palmer who was quoted in the newspapers complimenting the Treasurer. Mr. Sheehy stated that staff at the Department of Finance (DOF) and the entire administration was extremely pleased with the hard work of the Treasurer and his office.

Mr. Paparian continued to report that with the amount of bonds sold, staff is hoping that this will accelerate the re-opening of funding from the Pooled Money Investment Board (PMIB) to cover bond funded programs such as CPCFA's California Recycle Underutilized Sites (CALReUSE) Program. The structure of the funding in the CALReUSE program has led to

some challenges. The DOF has been asking for agency priorities for bond funding. Staff had to report CPCFA priorities to the California Department Housing and Community Development (HCD). HCD has been incorporating CPCFA priorities with its own before submitting them to the DOF. CPCFA staff will be meeting with HCD's to develop a better understanding of how CPCFA projects fit into HCD's Proposition 1C priorities.

Strategic Partner contracts remain funded but in suspension per the December action of PMIB. Once funding has restarted, staff will reinstate the contracts and move fast to execute grant and loan agreements. Staff conducted a survey of CALReUSE projects. Staff received project deadlines and information about other funding sources; some projects had to move forward on their own. However, many projects are significantly delayed due to the CALReUSE program funding suspension.

Ms. Wynne asked if there were any questions from the Board members. There were none.

4. BUSINESS ITEMS

A. CONSIDERATION OF STAFF RECOMMENDATION REGARDING FINANCING PROJECTS USING BIOGAS CONVERSION TECHNOLOGY

Staff presented the following policy matter to the Board concerning whether the State should allow tax-exempt bonds to be used for projects that use biomethane gas to produce renewable energy. In recent months there had been interest in using tax-exempt bonds to finance projects that used conversion technology to turn landfill gas and raw anaerobic digester gas into renewable energy.

Staff provided a brief description of the technology and found that there was evidence of pollution control benefits to be derived from tax-exempt financing of these types of qualifying projects. Therefore, staff recommended that the CPCFA Board direct staff to consider applications for tax-exempt financing of renewable energy projects using landfill gas and raw anaerobic digester gas. Presented by Jason L. Bradley.

Ms. Wynne asked if there were any questions from the Board or public.

Mr. Paparian responded to questions from the Board regarding the range of projects impacted by this recommendation. Mr. Sheehy asked if this recommendation applies to other technologies that have environmental benefits. Mr. Paparian stated that this policy recommendation would apply to similar projects, but if a different new technology were to come to CPCFA, staff would do another technology review.

Ms. Wynne asked if there was a motion.

Mr. Kleinberg moved approval of Item 4.A. Upon a second, Ms. Wynne asked if there was any objection to recording the item as being unanimously approved. There being no objection, the item passed.

B. REQUEST TO APPROVE REFUNDING POLICY AND RELATED FEES FOR THE BOND PROGRAM

Staff proposed a refunding policy with respect to requests for financing of refunding bonds. The current practice does not require an applicant to submit a new application along with an application fee in conjunction with the request, nor for small businesses to reimburse for fees generated from the costs of issuing the bond (i.e., Agent for Sale fee, issuer’s counsel fees, etc.). The proposed refunding policy would enable CPCFA to:

- ❖ require a new request for financing the refunding of bonds;
- ❖ charge a fee in conjunction with the refunding bond issue requested; and
- ❖ obtain reimbursement for costs and expenses associated with the refunding issue.

Staff also proposed to streamline the approval process for refunding issues wherein applicants are required to provide an update on the status of the project including significant changes to the project, if any, and current permitting. If adopted, the proposed change would be effective March 26, 2009. Presented by Patricia Tanous.

Ms. Wynne asked if there were any questions or comments from the Board.

Mr. Paparian responded to Board questions regarding the amount of stakeholder input received for the proposed changes and the advantages of companies refunding bonds issued after January 2004. Mr. Paparian explained that the stakeholders had a broad comfort level with what staff is proposing to do. Mr. Sheehy asked what was driving the expected number of refunds. Mr. Paparian reported that the Federal stimulus package allows CPCFA bonds issued since 2004 to be refunded so that the refunding bonds may avoid the Alternative Minimum Tax. By taking advantage of this provision, companies will be able to reduce borrowing costs.

Ms. Wynne asked if there were any questions from the public. There were none.

Ms. Wynne asked if there was a motion.

Mr. Sheehy moved approval of Item 4.B. Upon a second Ms. Wynne asked if there was any objection to recording the item as being unanimously approved. There being no objection, the item passed.

C. REQUEST TO APPROVE THE INTERAGENCY AGREEMENT WITH THE CALIFORNIA AIR RESOURCES BOARD REGARDING THE CALIFORNIA CAPITAL ACCESS PROGRAM INDEPENDENT CONTRIBUTOR PROGRAM FOR THE ON-ROAD DIESEL VEHICLES PROGRAM.

The California Air Resources Board (ARB) agreed to participate in the California Capital Access Program (CalCAP) as an Independent Contributor. The proposed Interagency Agreement between CPCFA and ARB allocates up to \$48,700,000 of ARB funds appropriated in Assembly Bill 118. These funds will be used for the ARB On-Road Diesel Independent Contributor program to provide financial assistance to small business

owners of heavy-duty diesel vehicles affected by the ARB's Statewide In-Use Truck and Bus Regulation and the Heavy-Duty Vehicle Greenhouse Gas Emission Reduction Regulation. The term of the Interagency Agreement will be from April 1, 2009 through December 31, 2011. Presented by Aaron Todd.

Mr. Todd responded to Ms. Wynne's question regarding participating financial institutions qualifying as preferred lenders and potential CalCAP/ARB lenders. Mr. Todd explained that once the program starts the top ten lenders would probably be eligible for preferred lender status and with additional training; other participating financial institutions would probably be eligible as well. A training program will be established for the lenders who would like to participate in the CalCAP/ARB program.

Mr. Todd also responded to Mr. Sheehy's inquiries regarding preparation for increased CalCAP activity and the reimbursement arrangements with ARB. Mr. Todd explained that the interagency agreement includes a schedule of estimated staffing based on historical CalCAP transaction activity. The reimbursement schedule is based on various levels of activity. CPCFA can receive a maximum reimbursement up to 4% of the amount that the ARB transfers into the program.

Ms. Wynne asked if there were questions from the public. There were none.

Mr. Sheehy moved approval of Item 4.C. Upon a second, Ms. Wynne asked if there was any objection to recording the item as being unanimously approved. There being no objection, the item passed.

D. REQUEST TO APPROVE EXTENSION OF INITIAL RESOLUTION REFLECTING OFFICIAL INTENT TO ISSUE REVENUE BONDS

Staff introduced Tony Cone with Westhoff, Cone, and Holmstedt, underwriter for the transaction.

Twin Bridges Development, Inc. received Initial Resolution Approval on April 25, 2006 to finance the purchase of land, including an existing but non-operational landfill. The project involves the conversion of the landfill site to a Construction and Demolition Debris (C&D) processing center, C&D landfill, and the construction and equipping of a building designed for recycling.

The Initial Resolution is due to expire on April 25, 2009. At this time, the company is requesting an extension of the Initial Resolution. The project has incurred a property acquisition delay, but otherwise remains as originally described and approved. Presented by Doreen Smith.

Ms. Wynne asked if there were any questions from the Board.

Staff and Mr. Tony Cone responded to the Board Members' questions concerning the length of the Initial Resolution extension. Mr. Paparian made it clear that the 3-year

Initial Resolution extension is the standard time that CPCFA gives to applicants and that this is not required for federal tax purposes, only CPCFA. Also Mr. Cone indicated that the company will really need a year or less to complete the financing.

Ms. Wynne asked if there were any questions or comments from the public. There were none.

Ms. Wynne asked if there was a motion.

Mr. Kleinberg moved approval of Item 4.D.1. Upon a second, Ms. Wynne asked if there was any objection to recording the item as being unanimously approved. There being no objection, the item passed.

5. PUBLIC COMMENT

Ms. Wynne asked if there were any comments from the public. There were none.

6. ADJOURNMENT

There being no further business, public comments, or concerns, the meeting adjourned at 11:04 a.m.

Respectfully submitted,

Michael Papanian
Executive Director